

**COURSE DATA****Data Subject**

<b>Code</b>	36797
<b>Name</b>	Macroeconomics II
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2023 - 2024

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
1933 - D.D. in Law-Economics 2022	Doubles Studies Faculty of Law - Faculty of Economics	3	Second term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1933 - D.D. in Law-Economics 2022	3 - Asignaturas de tercer curso	Obligatory

**Coordination**

<b>Name</b>	<b>Department</b>
GARCIA MARTINEZ, JOSE RAMON	10 - Economic Analysis

**SUMMARY**

Macroeconomics II is a compulsory semester course, with a total teaching load of 6 credits (3 theoretical and 3 practical), taught in the double degree in Law and Economics.

Macroeconomics I and II (GECO) are two subjects with separate assessment and minutes, but which have close thematic relationships and together constitute an annual course in intermediate macroeconomics and are offered to students who already have a basic knowledge of economics. On this basis students will complete their training in this area with a course in Dynamic Macroeconomics.

The course begins with a detailed analysis of the labour market and an extension of the contents covered in Macroeconomics I. In particular, it analyses the determination of the labour market and its relationship with the economy. In particular, the determination of wages and prices in non-competitive markets, the phenomenon of hysteresis and structural policies against unemployment are analysed.



Then, in the next two topics, the treatment given to consumption and investment in Macroeconomics I is extended. In both cases, the analysis considered is based on the approach of both topics as the result of the individual decisions of economic agents - household economies and firms, respectively - in an intertemporal context.

The following two topics aim to deepen the analysis of the two most important economic policies, fiscal and monetary, with the additional aim of presenting the latest theoretical developments in both cases. As far as monetary policy is concerned, the problems associated with the control of monetary aggregates are raised as a way of introducing the analysis of recent central bank behaviour based on interest rate control. In this sense, the Taylor rule is introduced in the analysis of monetary policy. With regard to fiscal policy, the problems associated with the financing of public deficits and public debt are analysed, presenting the concept of Ricardian equivalence, and the recent discussion on the application of fiscal policy rules is introduced.

Topic 6 is an introduction to the Solow growth model, which, as is well known, is the matrix from which modern economic growth theory is built, and which will be the subject of a much deeper and more detailed study in later courses. In addition to analysing the simplest form of the model, the question of economic convergence between countries is analysed, based on the conclusions of the model. The topic ends with a presentation of modern endogenous growth theories.

Topic 7 presents a very simple dynamic macroeconomic model on the basis of which to make the leap from traditional static macroeconomics to dynamic macroeconomics. The topic discusses in detail how to model shocks in macro models, as well as the impact of shocks with different characteristics based on the use of impulse-response graphs. An important point in the topic, which ties in with what was studied in topic 4, is the Taylor principle and the impact of the parameters of the monetary policy rule on the slope of the dynamic aggregate demand function.

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

No enrolment restrictions with other subjects in the curriculum have been specified.  
It is recommended to have passed Macroeconomics I.

## OUTCOMES



## LEARNING OUTCOMES

- Possesses sufficient macroeconomic knowledge to analyse and interpret national and international reality from an economic perspective.
- Uses analytical reasoning to pose economic problems and solve them.
- Is able to understand the set of interactions that take place between the different markets of an economic system.
- Understands the dynamic nature of macroeconomic relations, the role of intertemporal decisions and the expectations of market participants.
- Understands the role of incentives and strategic decisions in the behaviour of firms and consumers and their importance in the design of economic policy.
- Critically assesses the magnitude and importance of the different economic problems as well as the advantages and disadvantages derived from the possible policies designed to solve them, and their impact on society.
- Ability to collect bibliography, structure it and interpret it on the basis of theoretical knowledge.

## DESCRIPTION OF CONTENTS

### 1. The labour market and unemployment.

- 1.- Wage and price determination in non-competitive markets.
- 2.- Natural rate of unemployment and hysteresis.
- 3.- Unemployment and structural policies.
- 4.- Technical progress and unemployment.
- 5.- The wage differential.

Blanchard chs. 7, 8 and 13; Mankiw, chs. 7 and 14.2.

### 2. Consumption and savings.

- 1.- The consumer's intertemporal decision.
- 2.- Life cycle and the theory of permanent income.
- 3.- Imperfect capital markets, liquidity constraints and uncertainty.

Blanchard ch. 15; Mankiw ch. 19.



### **3. The Investment**

- 1.- Types of investment and investment theories.
- 2.- The demand for capital.
- 3.- The demand for investment: Tobin's q theory.

Blanchard ch. 15; Mankiw ch. 19.

### **4. Money and monetary policy.**

- 1.- Money supply and demand
- 2.- Credibility and optimal monetary policy.
- 3.- Expectations and money: the hyperinflation model.
- 4.- The implementation of monetary policy: interest rate rules.
- 5.- A modelling of Quantitative Easing.

Blanchard ch. 21 and 23; Mankiw ch. 14 and 16.

### **5. Fiscal policy.**

- 1.- The financing of the public deficit and the problems of the public debt.
- 2.- Ricardian equivalence.
- 3.- Fiscal policy rules.

Blanchard 21 and 22; Mankiw ch. 14 and 17.

### **6. Introduction to the theory of economic growth**

- 1.- The empirical evidence. The nature of economic growth models.
- 2.- The neoclassical growth model and the steady state.
- 3.- Convergence to the steady state. Convergence between countries.
- 4.- Introduction to endogenous growth models.

Blanchard 10, 11 and 12; Mankiw 8 and 9.

### **7. A dynamic model of OA-DA. Introduction to Dynamic Macroeconomics.**

- 1.- The Dynamic Aggregate Demand (DAD).
- 2.- The Dynamic Aggregate Supply (DAO).
- 3.- The complete model: DAD and OAD. Comparative statics.
- 4.- The Taylor principle.
- 5.- Introduction to DSGE models.

Bibliography: Mankiw, chap. 15

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theoretical and practical classes	60,00	100
Development of group work	7,00	0
Study and independent work	40,00	0
Readings supplementary material	10,00	0
Preparation of evaluation activities	3,00	0
Preparing lectures	15,00	0
Preparation of practical classes and problem	15,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

The methodology for teaching the subject Macroeconomics, both in theoretical and practical classes, will be oriented towards combining the capacity for individual work with teamwork. More precisely, the methodology to be used can be described as follows:

- For the theoretical classes, students will prepare in advance the basic readings that serve as a basis for the theoretical explanation, as well as the main doubts that arise in these readings. The lecturer will combine his explanations with the active participation of the students (raising of doubts that can be answered by the lecturer and/or their classmates, resolution of short questions posed by the lecturer, group discussion of the aspects that have aroused most interest). The aim is for students to develop their capacity for independent work, as well as their ability to defend ideas and their oral and written communication skills (raising doubts about the subject in public and/or resolving in writing the questions they have been asked).

For the practical classes, students will previously prepare a set of exercises and case studies that will be worked on and presented in the classroom. The aim is for students to develop their ability to solve problems, oral and written communication, coordination of activities and search for information in reliable sources.

The tasks set, both individually and jointly, may give rise to "deliverables" that will be assessed by the teacher.

**EVALUATION**

The subject will be assessed on the basis of the following procedure:





1. A written exam at the end of the semester, which is compulsory. In order to pass the subject, the minimum grade in this exam must be 5 out of 10. In case of not doing the continuous assessment tasks, the student will only be able to obtain the points of the final exam (7, maximum), and would need to obtain a 5 out of 7 in this exam in order to pass the subject.
  2. The evaluation of the practical activities developed by the student during the course (up to 3 points), based on the elaboration of papers/memorials and/or oral presentations, with defence of the positions developed by the student. The evaluation of this section will include both the different deliveries by the student and the continuous evaluation of the student, based on the student's participation and involvement in the teaching-learning process.
  3. All the practical activities included in the continuous assessment referred to in the previous point are not recoverable, given that, due to their nature, it is not possible to design a test that assesses the acquisition of their learning results in any examination period.
  4. In the absence of this assessment of the practical activities, the student will only be able to obtain the points from the written exam and in order to pass, he/she would need to obtain 5 out of the 7 points corresponding to this exam.
  5. In case of not passing the exam, for which a minimum score of 5 out of 10 or 3.5 out of 7 must be obtained, the grade will be failed, with a maximum mark of 4.5, regardless of the points accumulated in the continuous assessment.
- However, in the second sitting, students may maintain the assessment system of the first sitting or base their grade on a single final synthesis test.

## REFERENCES

### Basic

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Mankiw, N.G. Macroeconomía (10ª edición) Ed. Antoni Bosch, Barcelona, 2020.

### Additional



- Abel, A. y B., Bernanke. Macroeconomía (4<sup>o</sup> edición) Ed. Pearson Education, 2003.
- Bradford Delong, J. y M. L. Olney. Macroeconomía (2<sup>a</sup> edición) Ed. McGraw- Hill, Madrid 2007.
- Dornbusch, R., Fischer, S. y Startz, R. Macroeconomía (octava edición) Ed. McGraw-Hill, Madrid, 2001.
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- Layard, R.; Nickell, S. y Jackman, R. La Crisis del Paro. Alianza Economía. Alianza Editorial, 1994.
- Sachs, J.D. y Larrain, F. Macroeconomía en la Economía Global, Prentice Hall Hispanoamericana, 1994.
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